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Viewing cable #07MANAGUA2223, SUBJECT: NICARAGUA: AN ECONOMIC PERSPECTIVE ON

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E.O. 12958: DECL: 09/27/2017

TAGS: ECON ETRD EINV NU

SUBJECT: SUBJECT: NICARAGUA: AN ECONOMIC PERSPECTIVE ON
EIGHT MONTHS OF ORTEGA RHETORIC

Classified By: Ambassador Paul Trivelli, Reason: E.O. 12958 1.4 (d)

¶1. (C) Summary: Eight months into Daniel Ortega's term as president, his socialist rhetoric continues to worry potential and current investors in Nicaragua. Beginning on the day of his inauguration, Ortega launched into anti-capitalist, anti-neoliberal, and increasingly anti-American rhetoric, implying that what had transpired in Nicaragua during the past sixteen years was all wrong. A consistent economic theme has been the need for Nicaragua to reduce its dependency on the United States and international financial institutions. Ortega believes that this theme provides him with the political cover he needs to forge closer economic relations with the likes of Venezuela, Cuba, Iran, Libya, and North Korea. When it comes to private sector investment, Ortega seems to be of two minds. He acknowledges the fundamental role that the private sector plays in creating jobs, generating growth, and improving social well-being, but in practice never really accepts that this is true. One of Ortega's most palatable messages is that capital investment in Nicaragua needs to incorporate some social component. End summary.

¶2. (C) Eight months into Daniel Ortega's term as President, his socialist rhetoric continues to worry current and potential investors in Nicaragua. Ortega rarely misses an opportunity to denounce "imperialism" and "savage capitalism," although his tone and presentation often varies with his audience. A review of Ortega's public discourse since his inauguration on January 10, 2007, reveals a worldview adorned with disdain for what he terms "global capitalism" and its imperialist champion, the United States. Ortega borrows heavily from Marx to explain the success of capitalism, which he views as being fundamentally opposed to the welfare of poor people throughout the world. Recently, he has been focusing more on historical inequities, drawing a causal relationship between the wealth of developed countries and the poverty of underdeveloped countries.

¶3. (C) Ortega has avoided criticizing specific individuals or businesses in Nicaragua, with a few exceptions in the energy sector. He has forcefully criticized electricity distributor Union Fenosa (Spain), liquid fuels importer and distributor Glencore (Switzerland), geothermal power producer Polaris

(Canada), power producer Geosa (Nicaragua), and through his tax and customs directors general and other party stalwarts, refiner and liquid fuels distributor Esso (United States). Every company that Ortega has criticized publicly has become the object of state-led legal and tax challenges.

Out of the Starting Gate

¶4. (C) Beginning on the day of his inauguration attended by Venezuelan and Bolivian Presidents Hugo Chavez and Evo Morales, Ortega and his Communications Coordinator (wife Rosario Murillo) launched a propaganda campaign to reestablish socialist values in Nicaragua. The campaign contrasts greatly with his election campaign, also managed by Murillo, both in tone and content. Ortega's election campaign was little more than the repeated play of a Nicaraguan version of John Lennon's "Give Peace a Chance" as a silent candidate waived to the masses from a slowly driven vehicle. Ortega now makes great use of the bully pulpit to constantly assert that Nicaragua's "neoliberal" experiment in "global capitalism" the last sixteen years has failed.

¶5. (C) The day after his inauguration, Ortega signed onto the Bolivarian Alternative for the Americas (ALBA), since heralded as the centerpiece of Nicaragua's foreign economic relations and the alternative to the Central American Free Trade Agreement (CAFTA) and a Free Trade Agreement of the Americas (FTAA). Ortega has consistently trumpeted economic relations with ALBA countries (Venezuela, Cuba, and Bolivia) at the expense of his relations with Central American countries and as a substitute to economic relations with the United States. His socialist fire only dimmed for his first

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press conference in January, to calm nervous investors. By May, his anti-capitalist, anti-neoliberal, and anti-American rhetoric picked up another head of steam. This culminated in 20-minute inflammatory speech at the United Nations on September 25 2007, in which Ortega railed against the United States as the imperial power (septel).

America Is Bad

¶6. (C) An underlying theme for Ortega's speeches has been the need for Nicaragua to reduce its political and economic dependence on the United States, developed country donors, and international financial institutions, which he believes "are controlled by the United States." He argues that global capitalism has enslaved the world by helping the rich get richer at the expense of the poor, and exploiting natural resources and polluting the world's environment. Further, he argues that international financial institutions are the tools of "yankee imperialism," that neoliberalism is a modern version of imperialism, and that privatization and neoliberalism in Nicaragua have failed to lift Nicaragua out of poverty.

¶7. (C) A corollary to these arguments is that CAFTA should never have been negotiated because of inherent and insurmountable economic asymmetries between poor, small Central American countries and the United States. Ortega asserts that if such a trade agreement had to be negotiated, then Central American countries should have negotiated it as a single, unified entity to strike a more balanced deal. Because this did not happen, CAFTA surely favors the United States. Ortega further asserts that by definition small agricultural producers cannot compete with large U.S. producers who, he laments, receive state subsidies. Therefore, he concludes, CAFTA is inherently unfair.

¶8. (C) Ortega often deploys this logic as political justification for forging closer economic relations with Venezuela, Cuba, Bolivia, Iran, Libya, and even North Korea. For more political cover, he will elaborate on the historical

and lasting evil of "imperialism," "global capitalism," and "the empire," all euphemisms for the United States. (Note: In his speech before the United Nations on September 25 2007, Ortega clearly tied the United States to these euphemisms). Ortega compares these evils to honest and well-meaning foreign assistance and commerce from and with ALBA countries and Iran.

¶19. (C) Ortega's anti-American rhetoric often varies with the occasion. He never used the word "empire," for example, to refer to the United States in his public meeting with World Bank Vice President Pamela Cox on February 1. However, during his July 21 address to the Sao Paulo Forum, a conference composed of leftist and nationalist political parties and social movements in Latin America and the Caribbean, Ortega bandied the term an astounding twenty-one times. Left to his own resources, Ortega will almost always weave in a few minutes of anti-American epithets into one of his patented 100-minute speeches to loyal followers. The rhetoric flows especially freely during visits from Venezuelan President Hugo Chavez.

Capitalism Is Bad; Some Investment Might Be Good

¶110. (C) Ortega seems to be of two minds when it comes to capital investment. He claims to welcome capital investment on the one hand, but on the other decries the evils of "global capitalism." He asserts that privatization has failed in Nicaragua, that "neoliberalism" has corrupted government to serve selfish interests "of those with family names we all know," but claims to be open to dialogue with business. He accepts the need to negotiate a new Poverty Reduction Growth Facility with the IMF, but issues a blanket condemnation of all international financial institutions as being "the mere tools of capitalism." He acknowledges the

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fundamental role that capital investment plays in creating jobs, generating growth, and improving social wellbeing, but never really accepts the notion that capitalism works. He equates "global capitalism" with imperialism, vilifies the United States as chief imperialist, and equates "original capital" to original sin -) since, according to his accounting of history, "original capital" was derived from slavery and colonialism.

¶11. (C) Ortega repeatedly quotes Pope John Paul II to draw a distinction between "savage capitalism" and presumably "not-so-savage capitalism." This gives Ortega the pretext to support some forms of capital investment, e.g., that which "serves the interests of the people," especially the poor. Clearly, Ortega feels better about an investment if there is some form of social contribution included. He has repeatedly referred to Cone Denim's \$100 million investment in a textile manufacturing plant near Managua as an example of the kind of long-term, "non-maquila" investment that he welcomes. Cone Denim (United States) makes some social contributions. However, Cone Denim is a free trade zone investment like all other Nicaraguan "maquilas," and will, in fact, employ fewer people than most maquilas. The difference is that Cone Denim will manufacture cloth rather than finished goods.

The A to (almost) Z of Ortega's Rhetoric

¶12. (SBU) Below are unofficial translations of statements made by Ortega during his first eight months in office. They identify the range of his economic thinking, and not just the anti-American quality of his rhetoric.

a. "Every time that I speak about this issue with the same representatives from the IMF, the World Bank, the European Union, and representatives of the North American Government, I say to them, 'What are the results of these policies that His Holiness the Pope John Paul II called savage capitalism?'

That is what His Holiness called it! I ask them, and I say to those who continue insisting that the neoliberal model is the only way that our people can progress, I say to them, 'I am going to put it to the test here in Nicaragua!'" (Presidential Inauguration, January 10, 2007).

b. "This treaty with the United States, CAFTA, that was approved a few years and months ago ...we said that, in all clarity, this treaty was not thought out, not considered as to the condition of a country like the United States with great and enormous resources and economic subsidies versus the economies of our countries. They had to understand this (inequity) to negotiate. Finally they signed a treaty that brings some benefits to some sectors, but not to others. We have talked with North American representatives and told them about the problem, that they have not taken into account economic asymmetry with these countries. How can a small Nicaraguan producer compete with a North American producer who is subsidized?" (Presidential Inauguration, January 10, 2007).

c. "There does not exist, in these times, a situation that signifies that economic activity in our country is paralyzed or is decreasing. To the contrary, we feel that economic activity is being maintained ...the year is beginning. There have been the normal movements for the start of a year and a dialogue has continued with the national businesses through INCAE (the Central American Institute for Business Administration). Vice President Jaime Morales is in charge of working with them, that already is the commitment.... It was a grave error to have negotiated CAFTA in bilateral form; it put us in a weak situation." (Press Conference, January 22, 2007)

d. "This is a new government. We have a conception, a philosophy that is very different from the governments that preceded us. We are interested in developing, establishing, consolidating good relationships with (international) organizations, with the (World) Bank as well as with the

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(International Monetary) Fund." (Meeting with World Bank Vice President Pamela Cox, February 1, 2007).

e. "We are meeting many businessmen, many investors, capitalists who are ready, and in addition to their (financial) investments, to make social investments. But there are others in the minority, in the case of Nicaragua, who bring an entirely selfish attitude, who want to accumulate more riches each day and to whom it does not matter if the people are in poverty, in misery." Sixteen years of neoliberalism has passed in Nicaragua. And what do we have? We have economic growth. Of course, we have economic growth, but with whom does this wealth reside? Where does wealth stop?" Celebration of the 29th Anniversary of the Sandinista Insurrection in Monimbo February 24, 2007)

f. "What is the root of the problem (speaking of power outages throughout the country)? It is in the deed of having privatized. This was the original sin. Who privatized? The democrats, those who say they are democrats. They privatized the power plants, giving concessions (to the electricity distributor). Thank God they did not sell it, because all this involves corruption, selling (the power plants) for pennies -- but what they did was to rent it." (Celebration of the 29th Anniversary of the Sandinista Insurrection in Monimbo February 24, 2007)

g. "We will have a world filled with justice, where all families live in dignity, where hearts are filled with the feeling of love, and where we will have buried forever feelings of hatred, of selfishness, of individualism, of 'savage capitalism' that His Holiness Pope John Paul II called by name) 'savage capitalism'.... We are not fighting with the Yankees. They are the ones who have been fighting with the world. This is the history of the

imperialists." (Ortega with Hugo Chavez in Leon, March 11, 2007)

h. "We are against polluting the environment, a result that must be viewed in the (context of) policies of consumption, imposed by the capitalist model and that will not stop for anything." (Ortega with members of his Cabinet, April 3, 2007)

i. "At the height of neoliberalism, with all the support that is possible in terms of policies and capitalist material wellbeing, capitalist countries, with all the support that the Government of the United States had offered to previous governments.... How much would it mean for the United States to donate (a power plant) to Nicaragua? They did not donate it ... It is neoliberal political nature to forget about the people, about the poor, and simply do things every day to become richer." (Inauguration of the Venezuelan Hugo Chavez Power Plant at Las Brisas, Managua, April 17, 2007)

j. "During these sixteen years in which neoliberalism was imposed on Nicaragua, what was considered the most important was to maintain structural reforms -- the privatizations, privatizing education, health -- all at a cost of greater poverty for the Nicaraguan people." (Meeting with a Russian Delegation, April 25, 2007)

k. "Never as today, has the world been so divided between the minority that possess wealth and the immense majority (living) in poverty. This has occurred at both the national and international level. Here in Nicaragua, where the scheme of world capitalist domination is replicated by the 'land imperialists,' as our General Sandino called them, a few with wealth and the majority in poverty.... Who is the imperialist bourgeois? The one who is of 'savage capitalism,' the imperialist who tries to break, to conquer our people." (Labor Day, May 1, 2007)

l. "We have to liberate ourselves from this dependency on external resources because of all the problems they bring, the conditions that they put on us." (Cabinet Meeting on the National Infrastructure Plan, May 3, 2007)

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m. "Neoliberalism not only has meant denying education, health, and work to the people, denying financing to the farmers, but also it has meant the destruction of the environment, of the forests.... This is where it is clear that what the world is questioning is the model. There has to be questioning, from all sides, of the model that savage capitalism has imposed on the world and which is leading to the destruction of the environment." Cabinet meeting on the National Environment Plan, May 8, 2007)

n. "The greatest acts of violence, of barbarism, have been committed by rich, developed countries. Violent crimes of all kinds -- not for hunger, not for poverty, not for unemployment. Simply put, what has provoked this kind of situation has been the deformity, the destruction of the human spirit by savage capitalism." (Appointment of Cardenal Obando y Bravo as Chair of the Reconciliation Commission, May 9, 2007)

o. "In our attempt to generate quick employment, we can be killing ourselves. This is the great problem: as we say, bread for today, hunger for tomorrow. We cannot run that risk... We want investment with a sense of respect, to the workers and to the environment -- an investment that is accompanied with social sense." (Institute of Social Security Presentation, May 22, 2007)

p. "Our country, throughout its history, has suffered wars imposed by the politics of imperial North America.... This is what permits us to break with unipolar politics to establish a new equilibrium in the world, where we transform in a profound way the current world order, as much in the

areas of economics and commerce between counties as in the area of law. What we will really achieve is to democratize relations between people, between nations, by putting an end to the dictatorship of the global capitalism of the empire. And then we can ensure a world of peace, of justice, of liberty.... And in the dialogue that we hold with the United States, we have been clear to demonstrate our position against imperialist policies, against the dictatorship of global capitalism...." (Greeting Iranian President Ahmadinejad, June 10, 2007)

q. "This is the greatest battle that escapes human history -- the concept that development policy has been in the hands of global capitalism which sets the norms, imposes its economic policy through blood and fire, and for which certain periods and eras a conquered Africa, Asia, and American continent submitted to colonization, responding to a development model that was determined in the European metropolis, simply trying to grow, but in these moments, the world population, technological development, and pollution that was generated in the form of epic exploitation, was brutal. It turned into an economic policy that practiced systematic genocide in order to steal natural resources." (Closing Remarks to the Natural Resources and Environment Conference of Central American Ministers, June 18, 2007)

r. "These gentlemen that today are the owners of the world economy, who impose upon us schemes such as neoliberalism, who wish to obligate us to accept the conditions of the International Monetary Fund, they accumulated their wealth in the most abject manner, the most brutal, shameful manner that human history could have ever known." (Celebration of the 71st Anniversary of the Birth of Carlos Fonseca, founder of the FSLN, June 23, 2007)

s. "The recent meeting of the Group of Seven plus one, in Europe, once again provides evidence of the inflexibility of those who continue defending an exhausted model) a developmentalist, consumerist (one) that goes against the most vital interests of humanity. And the opposition, the voice that raises concern, from countries belonging to the same exhausted global capitalist scheme, (is against) global capitalism that has imposed its rules throughout the years, that has established norms, and that talks of democracy without practicing democracy." (Inauguration of the Regional

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Conference on UN Coherence, June 25, 2007)

t. "I think that the moment has arrived that, above all the countries of global capitalism, the empire (is the one who) controls the (International Monetary) Fund. Really, the poor (workers at) the Fund are no more than an instrument, because we say here that the Fund is evil. No. What is evil is world economic order imposed by the countries of global capitalism, of the empire, which accumulate their capital at the cost of enslaving Africans for more than 300 years (and) exterminating indigenous people in Latin America. This is the origin of their capital." (Ortega's arrival at the airport on a state visit to Mexico, June 27, 2007)

u. "In the sixteen years that they governed quietly, the model they imposed was global capitalism, the imperialist model. What were the results? They said (that) the country achieved take-off because a few became richer. Because of this, they achieved take-off. Those that became richer took off, but the immense majority of the people did not have any take off. What they had was privatization of health care, education, the democratization of hunger, of unemployment. This is what they had. This is the reason why we have (electricity) rationing)- our inheritance from neoliberalism. To put it into simple language, the inheritance of 'savage capitalism.' This is our inheritance." (Inauguration of the Zero Hunger Initiative in Estelli, July 7, 2007)

v. "This is what the Europeans did. All the Europeans who today present themselves as saviors of the world, this is what they did. The primary capital for capitalism has its origins in these forms of exploitation, of theft, of plunder, of corruption, that they established throughout the African and American continent, and also in Asia. They were accumulating this wealth which they later converted into power." (Closing of the 15th Congress of the Nicaraguan Student Union, July 18, 2007)

w. "The situation is very simple. Those that accumulated this capital, this wealth, with the plunder, the extermination, concentration camps, more than 300 years of slavery of the African population, they are very united, and they are searching a way to keep all of us divided, in order to dominate us, to better oppress us. They practice this policy throughout the world: to divide people, nations, (and) governments. And, each time governments make an effort to become closer, listening to the will of the people, the threats come with sanctions and everything that we already know. But the world lives in a new time. True that global capitalism, headed by the yankee empire, has enormous strength.... Global capitalism threatens destruction, not of the small people because it has already destroyed them, but rather of medium and large producers...." (Celebration of the 28th Anniversary of the Sandinista Revolution, July 19, 2007)

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